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CENTRAL INTELLIGENCE AGENCY
OFFICE OF CURRENT INTELLIGENCE
23 July 1954

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TO: Deputy Director (Intelligence)
SUBJECT: Weekly Summary of Trieste Developments

The first formal Yugoslav reactions to the Italian counterproposals on Trieste gave little grounds for optimism for a quick solution to the problem. However, the violent "explosion" which had been anticipated by American representative Thompson in London did not occur and the Yugoslavs have indicated that a compromise can be reached on all of the points of disagreement except the most important one, which concerns territorial provisions. Whether, in fact, they are absolutely adamant on this last point is not certain, and conversations are being continued daily with Yugoslav delegate Velebit in London. It should be noted that when Velebit originally received the Italian counterproposals he objected to several points, which he claimed changed the whole nature of the agreement, whereas now the territorial provisions are the only point of strong disagreement.

Yugoslav foreign secretary Popovic told Ambassador Riddleberger on 19 July that the 31 May position represented the utmost territorial concessions on the part of the Yugoslav government, and that if this aspect of the negotiations were to be reopened because of Italian insistence, the Yugoslav government would be compelled to revert to an earlier position of larger territorial claims. He claimed that the American and British attitude was a deep disappointment to his government, to which the territorial proposal had come as a "great shock." Popovic did say that his government would discuss all other aspects of the settlement and make every effort to reach agreement on them.

State Dept. review completed

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Ambassador Riddleberger, who has been in sharp disagreement with the Thompson-Harrison approach to the Yugoslavs, but who has nevertheless tried to implement it, reported to the Department of State after his interview with Popovic that his "expectation was that the Yugoslav government will not be tractable on territory." He noted that the Yugoslavs believe that, in coming to their 31 May position, they were making the utmost concessions and agreeing to what was essentially a British and American territorial proposal. (The 31 May line is, in fact, quite close to the original "Muggia rectification line" proposed by Thompson and Harrison on 16 March.)

In talks with Thompson and Harrison on 21 and 22 July, Velebit did not deny that the Western negotiators had originally told him that the 31 May territorial agreement might be subject to some final adjustments, and he said he could understand that the Italians would not want to accept a diktat. Furthermore, he admitted that the area still in dispute is really insignificant. Nevertheless, he said that the Yugoslavs had conceded all they felt was possible, and added that there was a feeling in Belgrade that they had been making final concessions and then were asked to increase them. The tenor of the conversations was such that Thompson believes the Yugoslavs might eventually concede something on the eastern end of the demarcation line, but it is the concessions in the western sector which are most important from the Italian point of view.

Territory, and only about five or six square miles at that, has thus become the key point of the negotiations. Italian diplomatic officials have indicated that they consider it very important to get sufficient concessions from the Yugoslavs on the territorial issue to make the over-all solution acceptable to the Italian government and capable of being presented as something other than a Yugoslav-imposed solution.

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There were some bright spots in the Yugoslav reactions. With Velebit's acceptance of the preamble and certain articles for the proposed four-power memorandum of understanding, the question of the provisionality-definitiveness of the solution can apparently be considered closed. Agreement has also been reached on the text for the free port clause. Some divergence exists on the positions regarding minorities, autonomy, consulates, freedom of movement of persons, cultural houses, and credit institutions. Compromise agreement can probably be worked out on most of these points, as well as on the present Yugoslav refusal to give Italy a fishing agreement as part of the over-all financial settlement.

There was little activity from the Italian side this week.

In Trieste, there has been little significant activity. At present, the pro-Cominform Communists appear to be the main group preparing to protest a petition solution by street demonstrations, strikes, etc., and the Italian political adviser is particularly worried about their moves. One of the independentist groups has indicated it would also participate in a protest strike. The center parties do not show signs of having firmly decided on a course of action. At present, their leaders are against a partition solution, particularly one which appears to be permanent. On the other hand, they feel they have obtained little satisfaction from political leaders in Rome. Whether they will feel inclined finally to go along with a solution that Rome presses upon them is a question still to be answered. Nor is there an answer to the question of how successful riots and demonstrations would be if the Trieste center parties pushed them, but the Italian government made strong attempts to stop them. (In the past, most of the major Trieste riots have appeared to have at the least the tacit acquiescence of the Rome government and, in the case of the March 1952 riots, the actual support.)

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